Entrepreneurs and financial literacy: the situation in Canada

Research report

Research and Market Intelligence team
January 2024

bdc

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✳

1 Key highlights

Knowledge declines despite higher confidence and enjoyment of dealing with financial matters

Compared to October 2017, business owners are **less likely** to consider themselves as **knowledgeable** with financial matters. On the other hand, they are **more likely** to feel **confident** and to **enjoy** dealing with financial matters.

63% see themselves as **knowledgeable** regarding financial matters

(**-5 pts** vs. Oct. 2017, significant)

Women and businesses in the **accommodation and food services** sector are less likely to consider themselves knowledgeable.

77% say they **enjoy** dealing with financial matters

(**+9 pts** vs. Oct. 2017, significant)

Non-profitable businesses, those with **annual sales of less than $3M** and those in **tech** are less likely to enjoy dealing with financial matters.

75% are **confident** with their financial management skills

(**+5 pts** vs. Oct. 2017, significant)

Women, SMEs owned by **immigrants** and **non-profitable** businesses are less likely to be confident with their skills.

Average percentage of time allocated to managing financial aspects of the business
(in a typical week)

20%
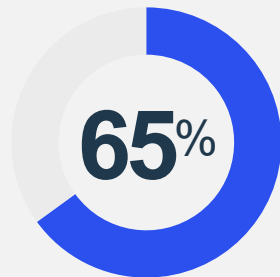
(**-10 pts** vs. Oct. 2017, significant)

Smaller businesses and those in the **tech** sector tend to allocate less time to managing financial aspects.
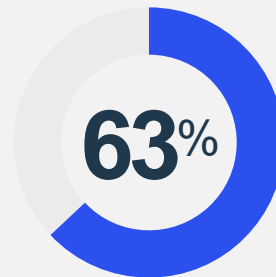
Most SMEs consult and trust financial experts; debt management is a growing concern

Entrepreneurs' **relationship with business professionals** seems to be **very similar** to what it was in October 2017.

65% usually **consult their accountant or financial adviser** before making an important financial decision (-2 pts vs. Oct. 2017)

63% tend to **trust professional financial advisers** and accept what they recommend as it pertains to business finances (unchanged vs. Oct. 2017)

There has been **little change** in the use of finance-related professional services since October 2017. A greater number of businesses needed help to **manage their debt obligations**, likely due to the **economic climate**.

Taxes to various levels of government
67%
(-1 pt vs. Oct. 2017)

Evaluating the business' financial performance
47%
(unchanged vs. Oct. 2017)

Accessing external financing
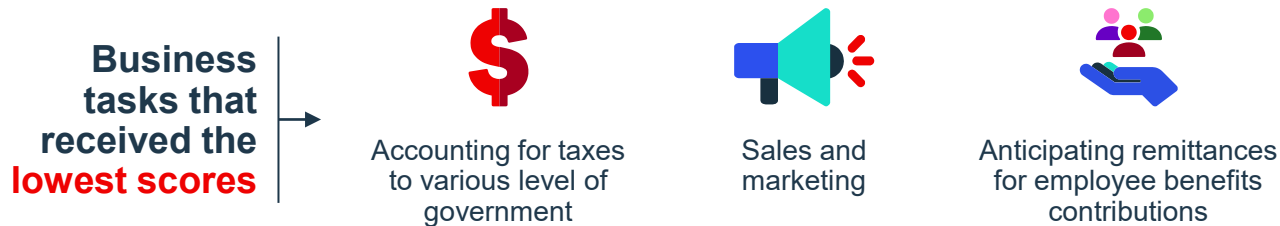**46**%
(+3 pts vs. Oct. 2017)

Has increased significantly…

Managing debt obligations
38%
(**+10 pts** vs. Oct. 2017)

Self-assessment of financial skills and credit score monitoring and rating are improving

When asked to **evaluate their skills** in different areas of their business*, most entrepreneurs gave themselves **good scores on average** (7+ out of 10). Most average scores have increased significantly since October 2017.

Business tasks that received the lowest scores →

Accounting for taxes to various level of government

Sales and marketing

Anticipating remittances for employee benefits contributions

Compared to the previous survey wave, a greater proportion of owners believe their company credit record to be **very good**. However, the proportion of those who **never asked** for a company credit record remains **quite high**.

55% rate their firm's **credit record** as **very good**
(**+12 pts** vs. Oct. 2017, significant)

47% **never** asked a credit agency for a credit record to verify their firm's credit history
(-5 pts vs. Oct. 2017)

Quiz scores and knowledge of retirement needs increase, as does willingness to take risks

Most entrepreneurs continue to have a **good idea** of how much **money they will need to save** to maintain their desired standard of living when they **retire**. At the same time, a greater proportion say they **are willing to take risks** for their personal financial investments.

75% → $
have a good idea of how much **money they will need** when they **retire**

(+4 pts vs. Oct. 2017)

SMEs with **LGBTQ2+** owners, **non-profitable** businesses and those with annual sales of **less than $3M** are less likely to know how much money they will need.
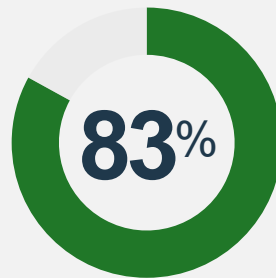
61%
are **willing** to take risks regarding their **personal financial investments**

(**+6 pts** vs. Oct. 2017, significant)

Women, SMEs owned by **immigrants** or **members of a diversity group** and businesses with **less than $3M** in annual sales are less likely to be willing to take risks.

FINANCIAL LITERACY QUIZ RESULTS

83%

obtained a score of **7 to 10** out of 10

(**+5 pts** vs. Oct. 2017)

Quiz questions with the lowest scores
(% of respondents who had the right answer)

- ↘ Bond prices (**49%**)
- ↘ Unit pricing (**67%**)
- ↘ Competition margins (**69%**)
- ↘ Credit scoring (**72%**)

Women entrepreneurs

Women entrepreneurs are less likely to consider themselves **knowledgeable**, **confident** and **willing to take risks** than their men counterpart. Although women scored well on average in the financial literacy quiz, their **average score** is **significantly lower** than that of the men.

54% of women consider themselves as **knowledgeable** regarding financial matters
(vs. **66%** men, significant)

63% of women are **confident** with their financial management skills
(vs. **78%** men, significant)

47% of women are **willing to take risks** regarding their personal financial investments
(vs. **65%** men, significant)

7.5 is the **average score** obtained by women in the **financial literacy quiz**
(vs. **7.9** men, significant)

Women were **less likely** to have answered correctly the following questions:

– Bond prices (**36%** vs. 51% men)
– Competition margins (**53%** vs. 74% men)

SMEs owned by members of a diversity group

While there are no differences between diverse- and non-diverse-owned SMEs in terms of knowledge and enjoyment of dealing with financial matters, we do see **differences** when it comes to **willingness to take risks** and **confidence in one's own financial skills**.

55% of **diverse-owned SMEs** say they are willing to take risks regarding their personal financial investments*
(vs. **67%** non-diverse)

66% of **immigrant-owned** SMEs are confident with their financial management skills
(significantly **lower** than the rest of the sample)

8.4 is the average score of SMEs owned by **immigrant children** on the financial literacy quiz
(significantly **higher** than the rest of the sample)

15% of SMEs owned by **entrepreneurs with military service** sought help for payroll remittances in the last 24 months
(significantly **lower** than the rest of the sample)

11% of **immigrant-owned** SMEs sought help for establishing prices and margins in the last 24 months
(significantly **lower** than the rest of the sample)

Financial literacy self-assessment

Diverse-owned SMEs are **less likely** to be **confident** in the following, compared to non-diverse ones:
- Monitoring day-to-day cash flow (**75%** vs. 83%);
- Financial management (**73%** vs. 84%).

SMEs owned by **visible minority members** are **less likely** to be **confident** in the following, compared to other groups of entrepreneurs:
- Management of operations (**77%** vs. 82% to 98% for the other groups)
- Monitoring day-to-day cash flow (**67%** vs. 75% to 92% for the other groups)
- Financial management (**63%** vs. 72% to 86% for the other groups)

*Significantly lower among SMEs owned by immigrants (51%) vs. other SMEs

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Detailed results

Self-evaluation

S3Q1. How would you **rate yourself** on your level of **financial knowledge**?

Category	December 2023	October 2017
Very knowledgeable	22%	22%
Knowledgeable	41%	46%
Fairly knowledgeable	33% ⬆	27%
Not very knowledgeable	3%	4%
Don't know/Prefer not to answer	1%	2%

Knowledgeable

63%⬇

vs. **68%** in Oct. 2017

■ December 2023
■ October 2017
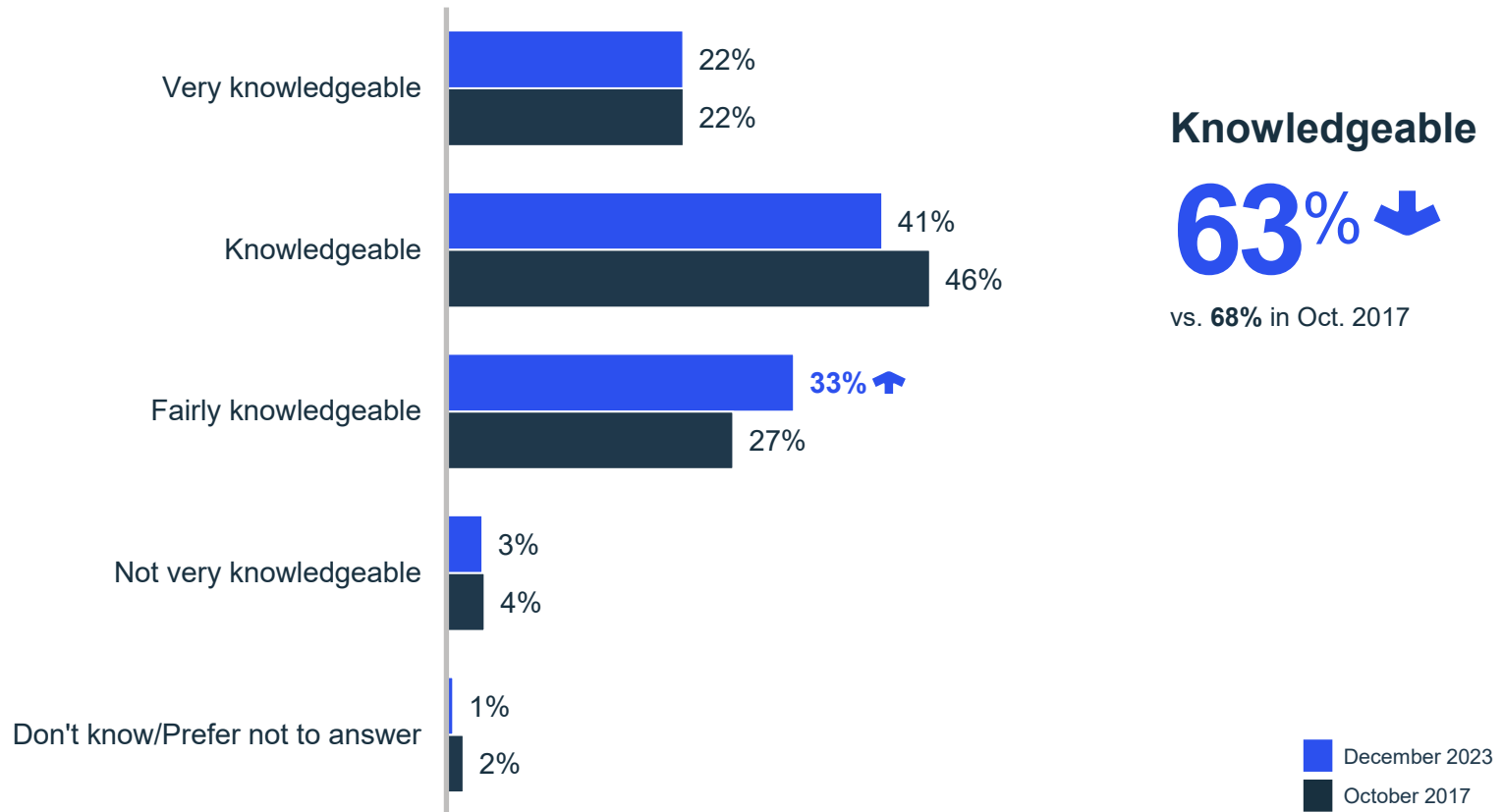
Relationship with business professionals

S3Q2. For each of the following statements, tell us whether you **agree or disagree** with the statement.

"I usually consult my accountant or financial adviser before making an important financial decision as it pertains to business finances."

	December 2023	October 2017
Agree	65%	67%
Disagree	30%	30%
Don't know	3%	2%
Prefer not to answer	3% ⬆	1%

"I tend to trust professional financial advisers and accept what they recommend as it pertains to business finances."

	December 2023	October 2017
Agree	63%	63%
Disagree	30%	28%
Don't know	5%	7%
Prefer not to answer	2%	3%

December 2023
October 2017
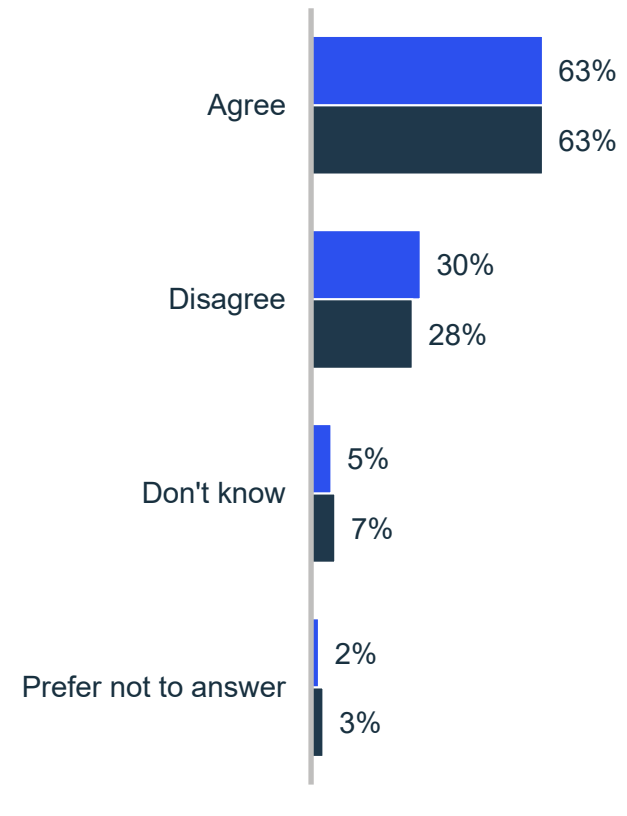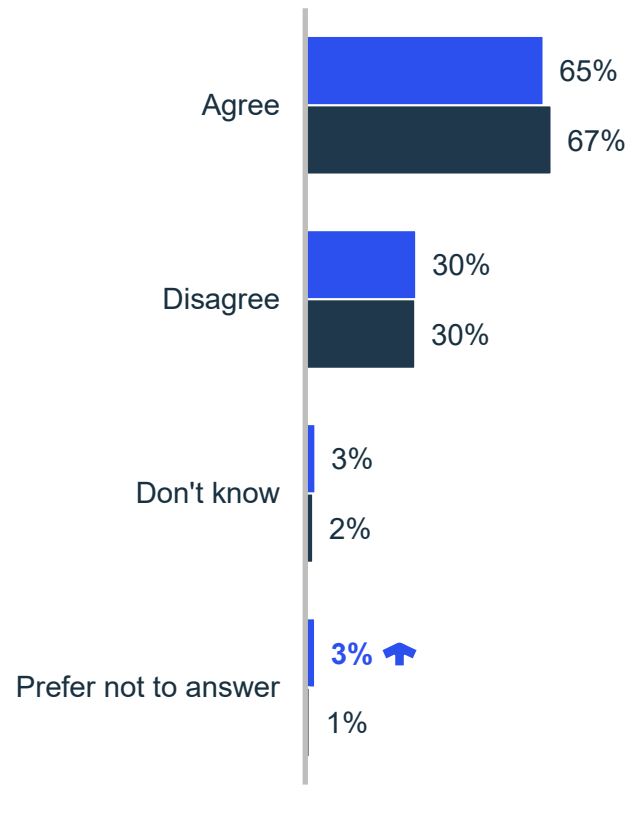
Enjoy dealing with financial matters

S3Q3. Do you **enjoy** dealing with financial matters?

	December 2023	October 2017
Yes	77% ⬆	68%
No	20% ⬇	29%
Don't know	3%	2%
Prefer not to answer	1%	1%

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017.

BDC – Financial literacy, December 2023   13
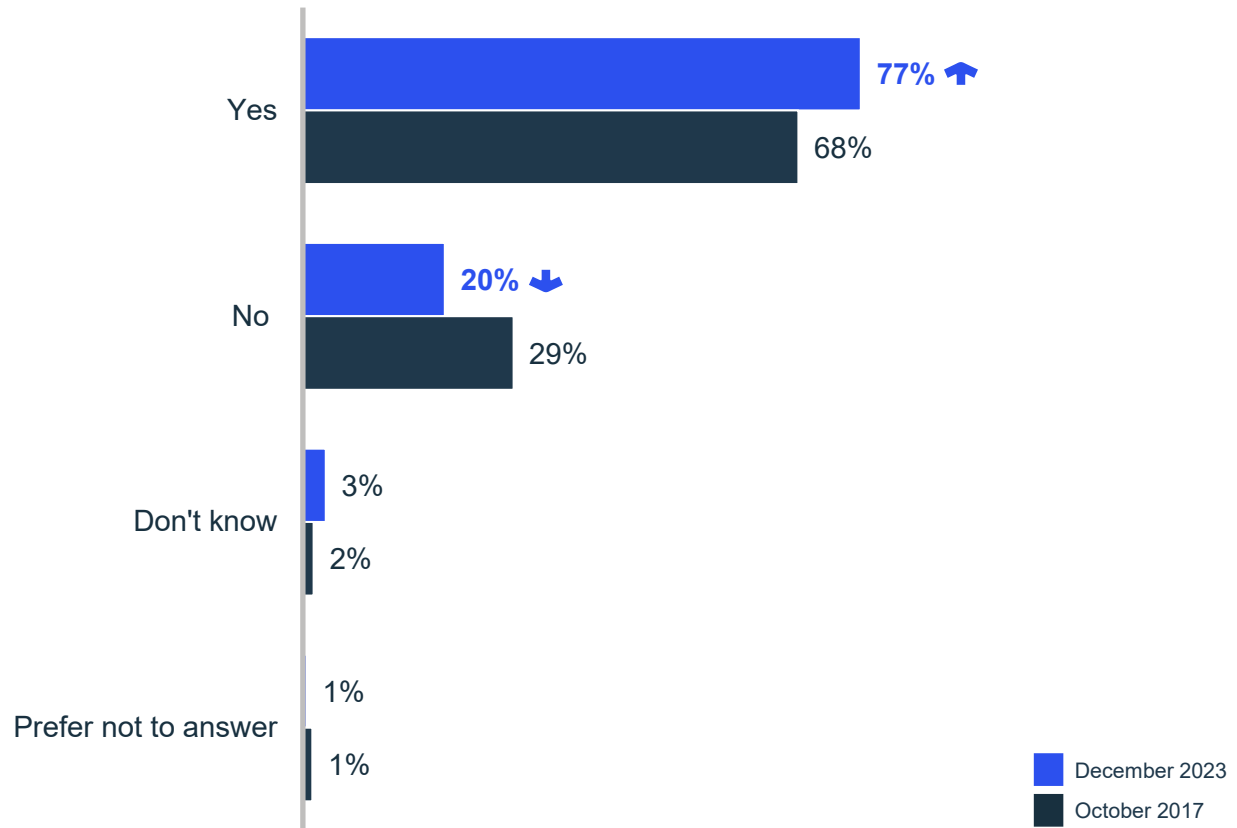
Retirement savings

S3Q4. Do you have a **good idea** of how much money you will **need to save** to maintain your desired standard of living when you **retire**?

Yes
- 75% (December 2023)
- 71% (October 2017)

No
- 19% (December 2023)
- 23% (October 2017)

Don't know
- 5% (December 2023)
- 4% (October 2017)

Prefer not to answer
- 1% (December 2023)
- 2% (October 2017)

December 2023
October 2017
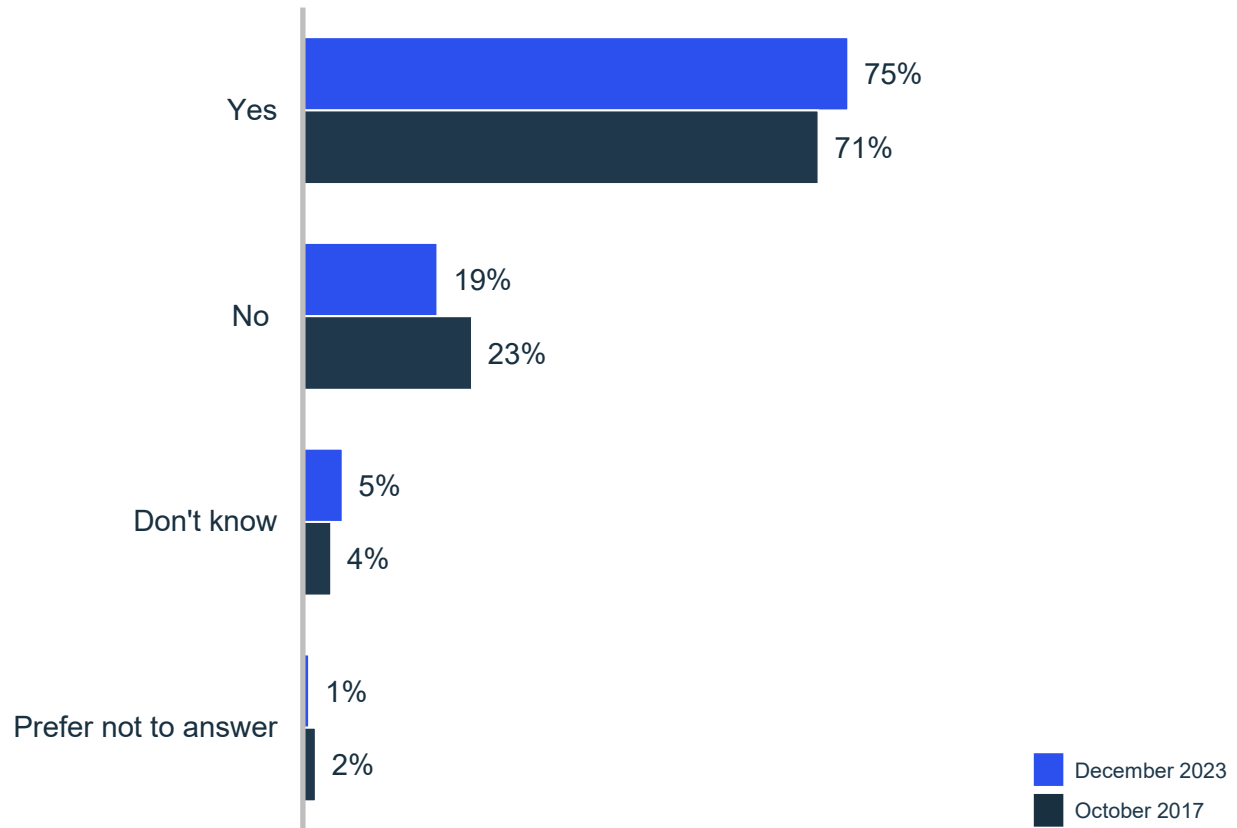
Willingness to take risks

S3Q5. On a scale from 0 to 10, where 0 means that you are not at all willing and 10 means that you are very willing, how **willing** are you to **take risks** regarding your **personal financial investments**?
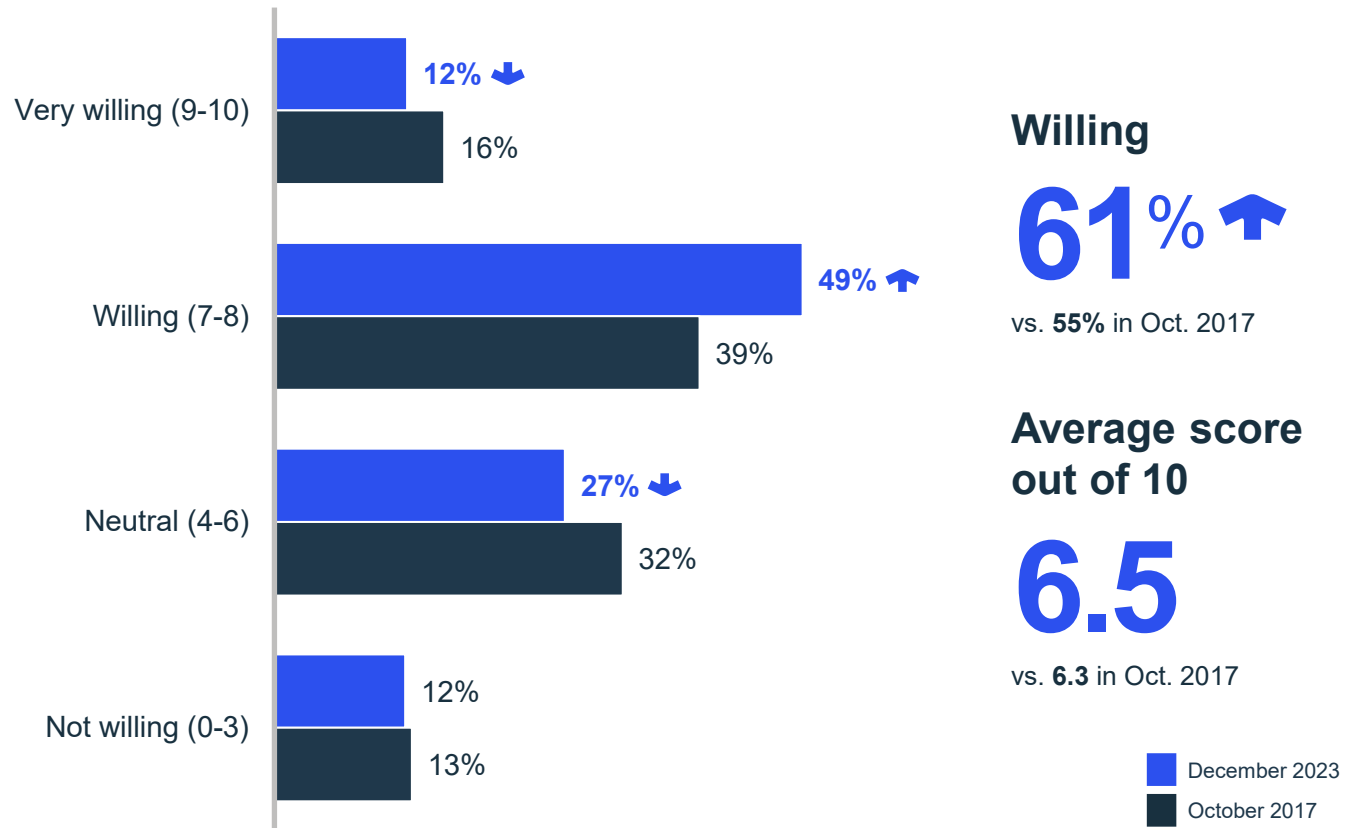
	December 2023	October 2017
Very willing (9-10)	12% ⬇	16%
Willing (7-8)	49% ⬆	39%
Neutral (4-6)	27% ⬇	32%
Not willing (0-3)	12%	13%

Willing

61% ⬆

vs. **55%** in Oct. 2017

Average score out of 10

6.5

vs. **6.3** in Oct. 2017

■ December 2023
■ October 2017

Confidence in skills

S3Q6. And on a scale from 0 to 10, where 0 means that you are not at all confident and 10 means that you are very confident, how **confident** do you feel about your **skills in financial management**?

Confident

75% ↑

vs. **70%** in Oct. 2017

Average score out of 10

7.3 ↑

vs. **7.1** in Oct. 2017

■ December 2023
■ October 2017

Very confident (9-10): 25% / 21%
Confident (7-8): 50% / 49%
Neutral (4-6): 20% / 24%
Not confident (0-3): 5% / 6%
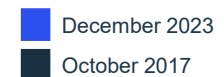
Professional advice

S3Q7/S3Q8. During the past 24 months, have you sought **professional advice** (for example, from an accountant or financial adviser) regarding the following aspects of your business?

YES

Oct. 2017

	Yes	No	
Taxes to various levels of government	67%	33%	68%
Evaluating the financial performance of your firm	47%	53%	47%
Accessing external financing	46%	54%	43%
Payroll remittances	40%	60%	36%
Managing debt obligations	**38%** ⬆	62%	28%
Managing cash flow	29%	71%	30%
Establishing prices and margins	18%	82%	17%

■ Yes ■ No

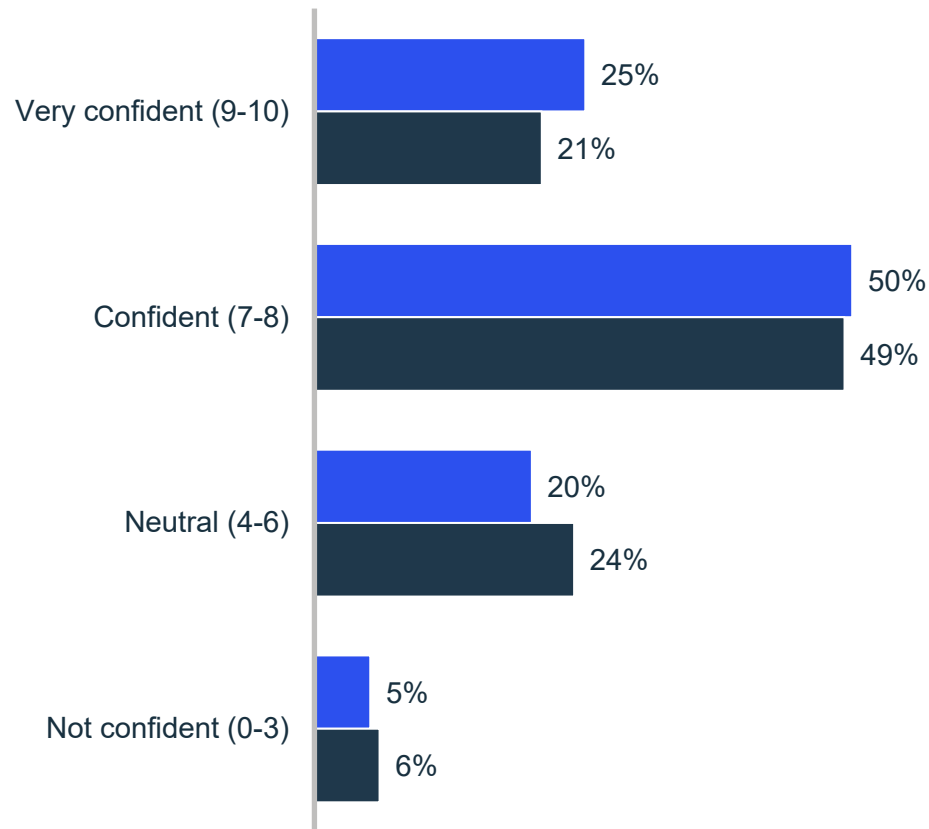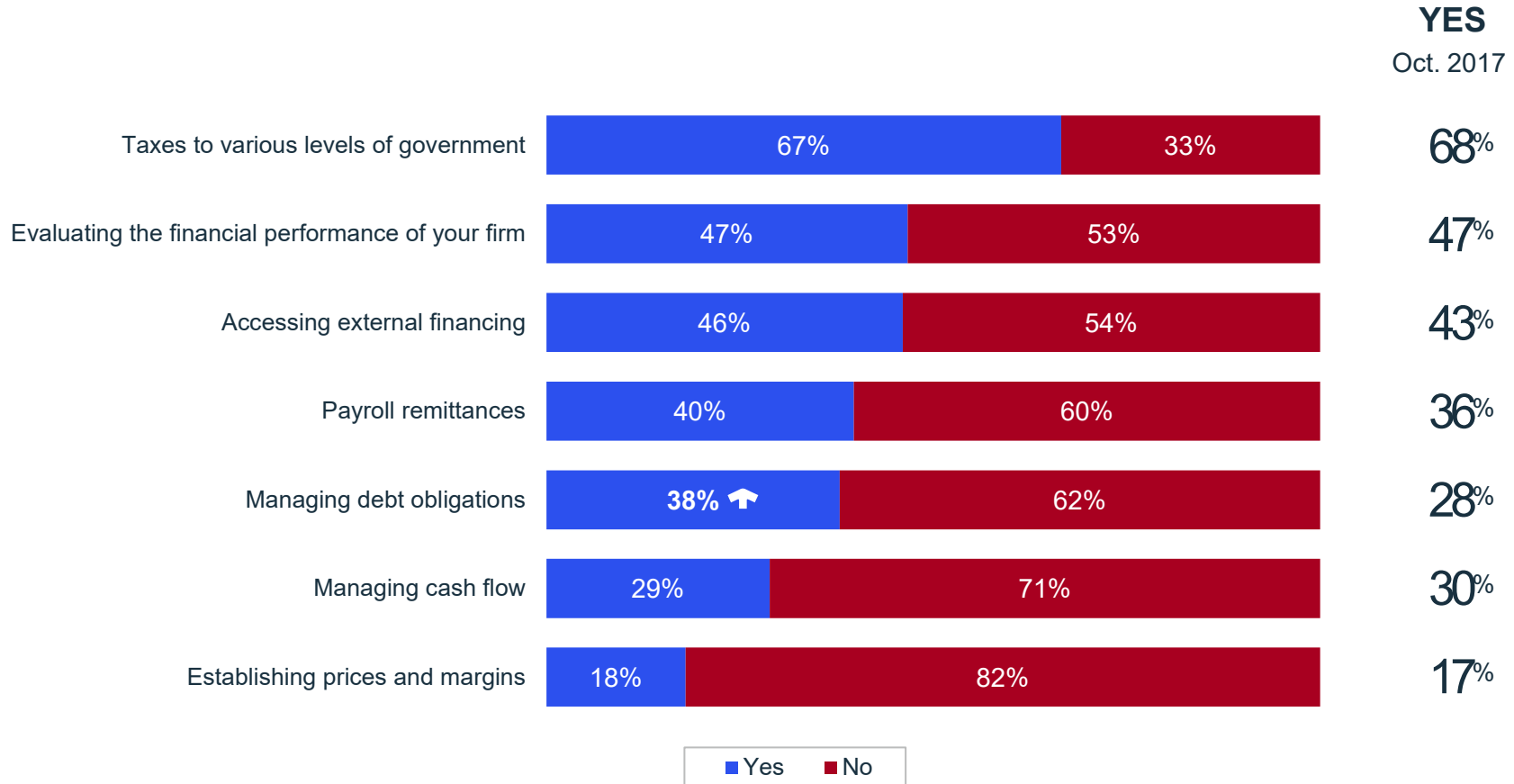Base: All respondents (n=626-631). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between December 2023 and October 2017.

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Company's credit record

S3Q9. How would you **rate** your firm's **credit record**?

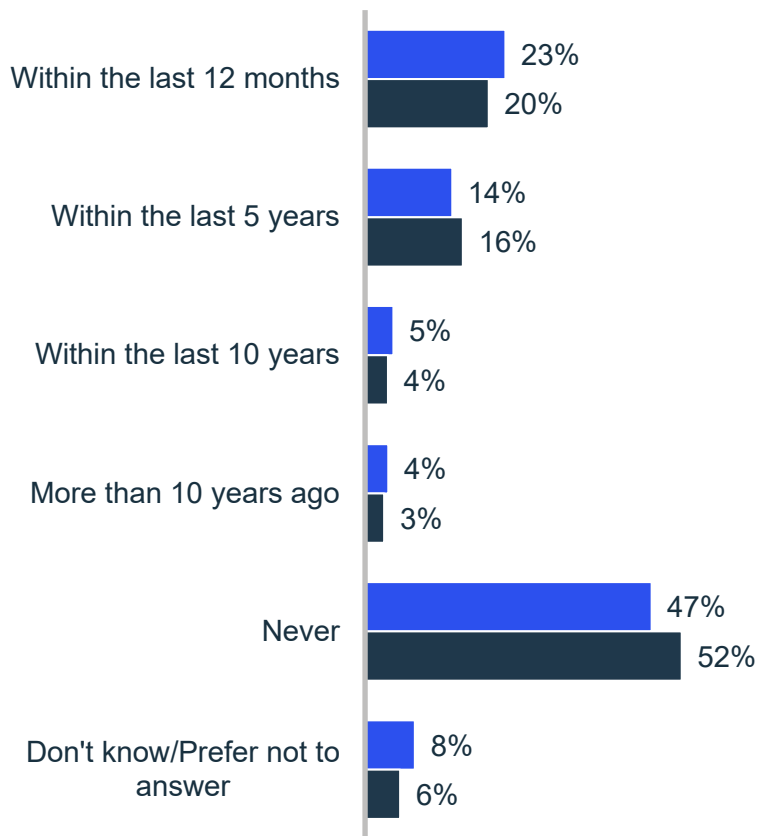|	December 2023	October 2017
Very good	55% ⬆	43%
Good	29%	30%
About average	11% ⬇	19%
Bad	3%	2%
Very bad	1%	1%
Don't know/Prefer not to answer	2% ⬇	5%

Average score out of 5

4.4 ⬆

vs. **4.2** in Oct. 2017

■ December 2023
■ October 2017

S3Q10. When did you last **ask** a credit agency for a **credit report** to verify your firm's credit history?

	December 2023	October 2017
Within the last 12 months	23%	20%
Within the last 5 years	14%	16%
Within the last 10 years	5%	4%
More than 10 years ago	4%	3%
Never	47%	52%
Don't know/Prefer not to answer	8%	6%
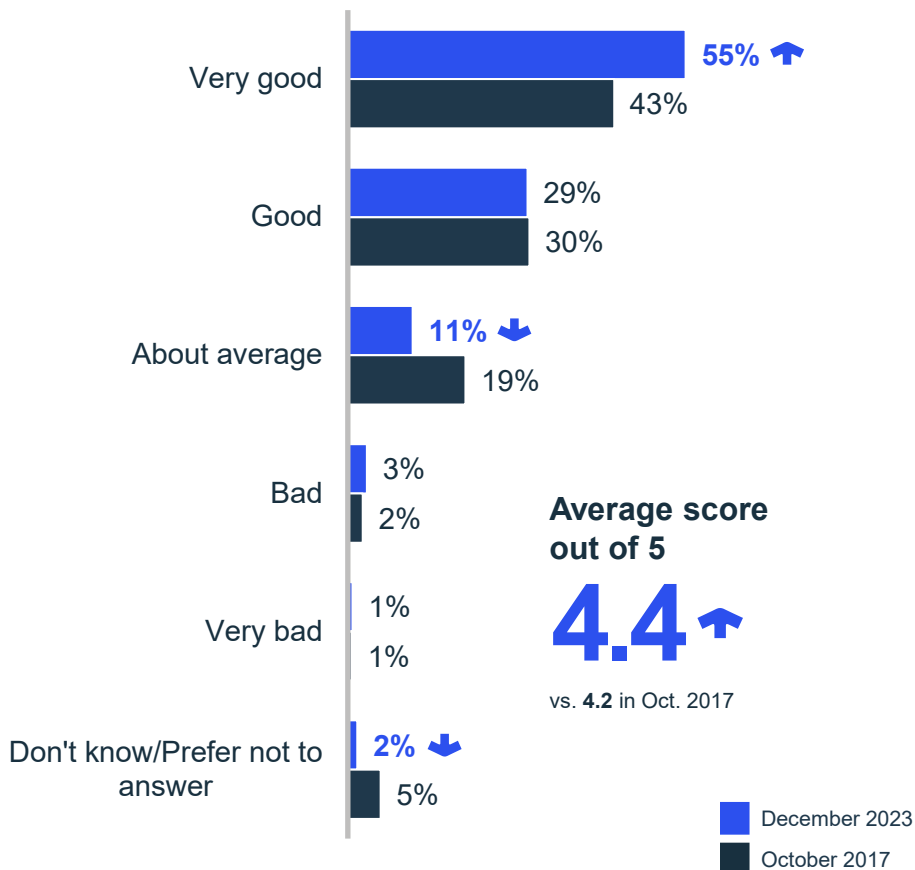
Time allocated to managing financial aspect

S3Q11. In a typical week, approximately what percentage of your **time** is allocated to **managing financial aspects** of your business?
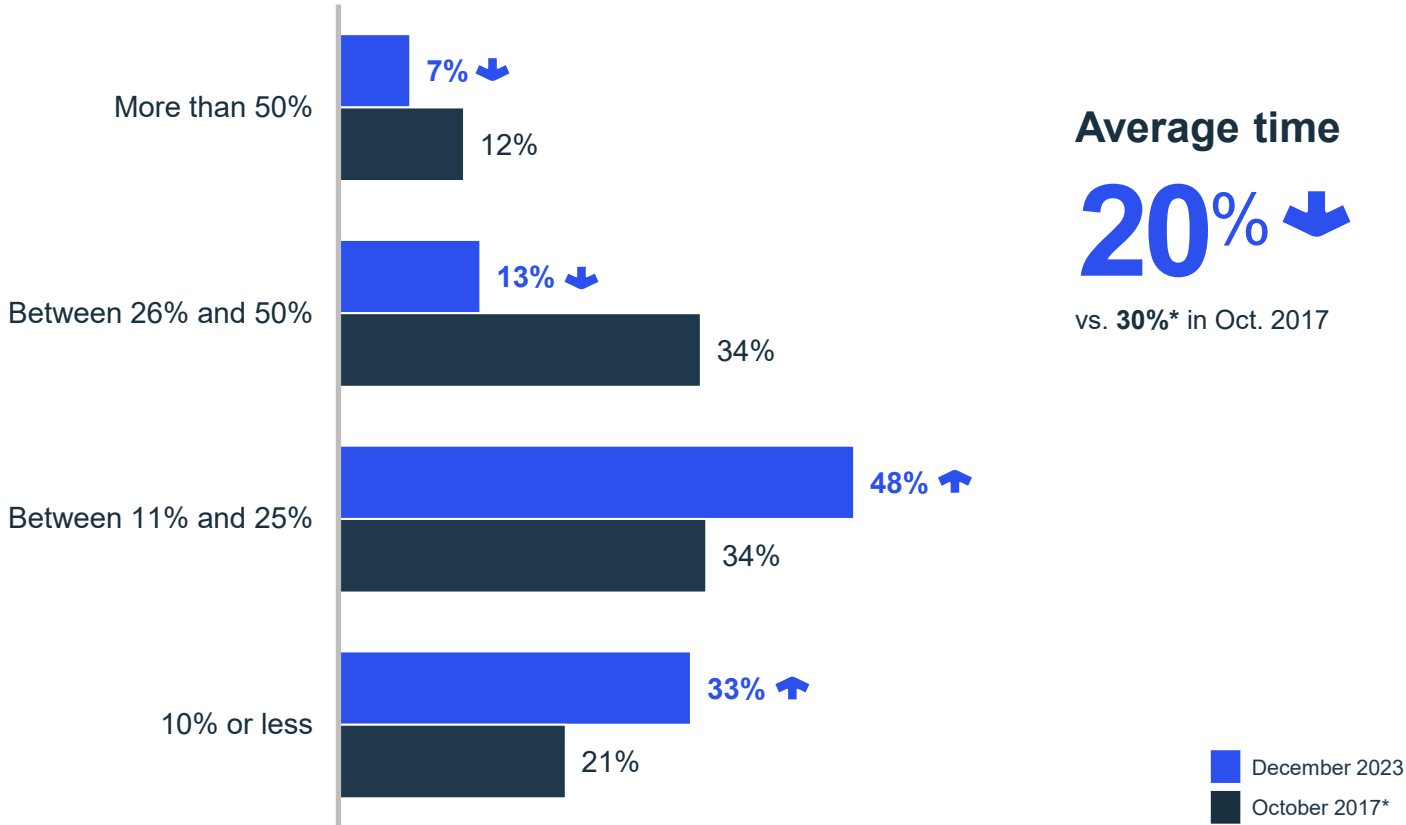
More than 50%
- December 2023: 7% ↓
- October 2017: 12%

Between 26% and 50%
- December 2023: 13% ↓
- October 2017: 34%

Between 11% and 25%
- December 2023: 48% ↑
- October 2017: 34%

10% or less
- December 2023: 33% ↑
- October 2017: 21%

Average time

20% ↓

vs. **30%*** in Oct. 2017

■ December 2023
■ October 2017*

Financial management tasks and other business functions

S3Q12. On a scale from 0 to 10, where 0 means you are not at all proficient and 10 means you are extremely proficient, how would you **rate your skills** in the following areas of your business?

Average score out of 10

	Not proficient (0-3)	Neutral (4-6)	Proficient (7-8)	Extremely proficient (9-10)	Dec. 2023	Oct. 2017
Management of operations	2%	12%	42%	44%	8.1 ⬆	7.8
Monitoring credit and debit cards	5%	16%	31%	48%	7.9	7.8
Managing accounts receivable	4%	15%	36%	44%	7.9 ⬆	7.6
Monitoring day-to-day cash flows	5%	16%	34%	45%	7.9 ⬆	7.6
Tracking the cash needs of the business	5%	15%	35%	45%	7.9 ⬆	7.6

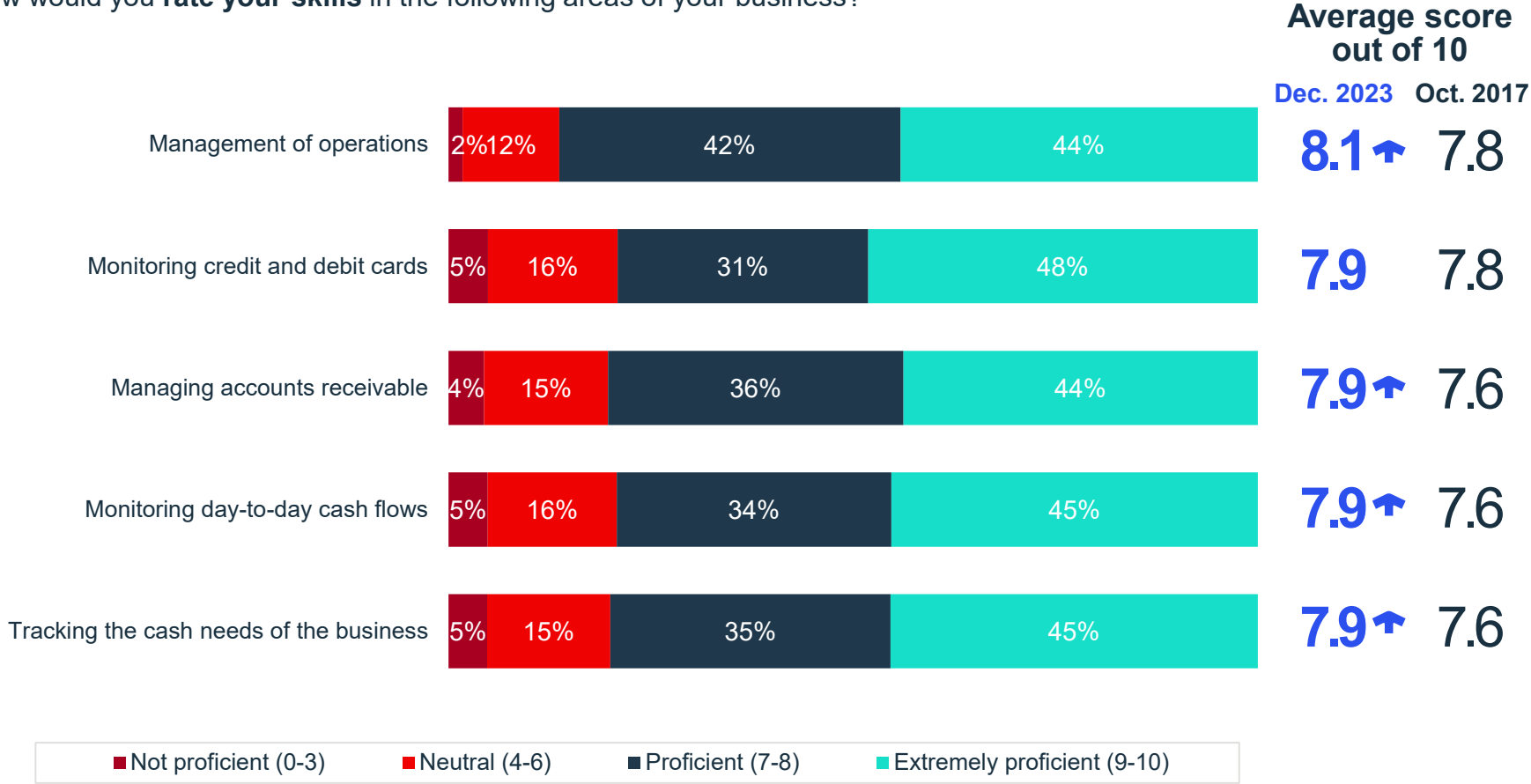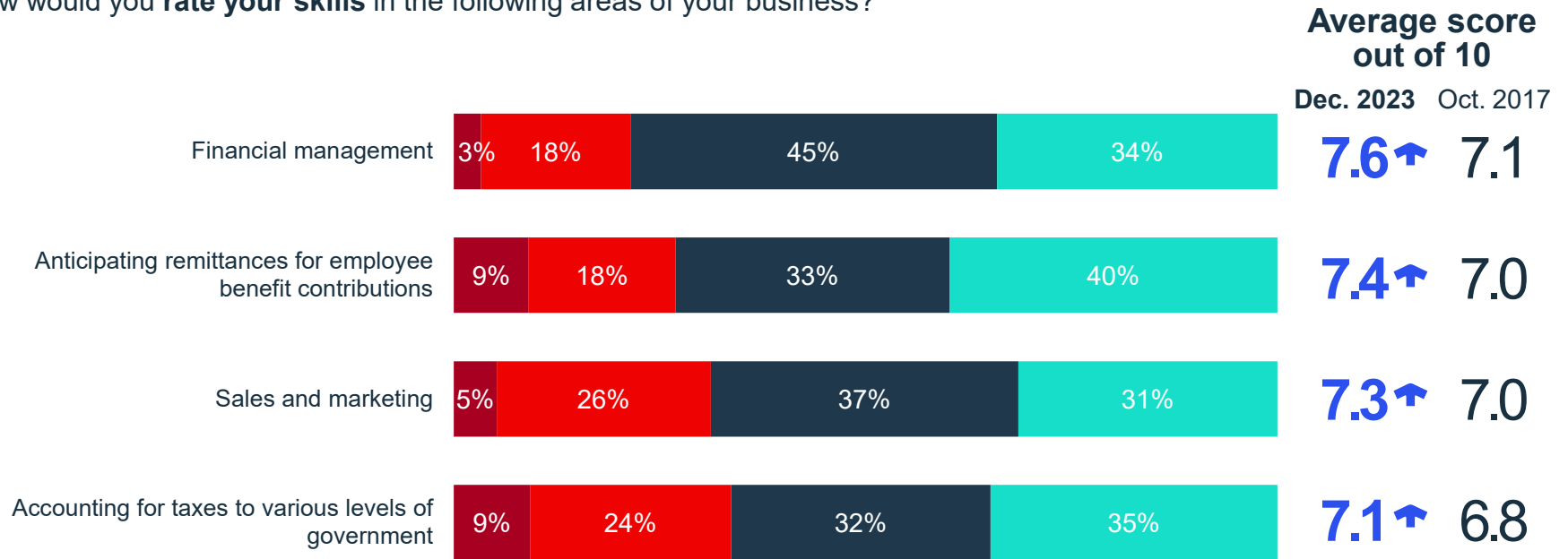Legend: ■ Not proficient (0-3) ■ Neutral (4-6) ■ Proficient (7-8) ■ Extremely proficient (9-10)

Base: All respondents (n=621-632). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between December 2023 and October 2017.

Financial management tasks and other business functions (cont'd)

S3Q12. On a scale from 0 to 10, where 0 means you are not at all proficient and 10 means you are extremely proficient, how would you **rate your skills** in the following areas of your business?

Average score out of 10

	Dec. 2023	Oct. 2017
Financial management	**7.6**↑	7.1
Anticipating remittances for employee benefit contributions	**7.4**↑	7.0
Sales and marketing	**7.3**↑	7.0
Accounting for taxes to various levels of government	**7.1**↑	6.8

Financial management: 3% | 18% | 45% | 34%

Anticipating remittances for employee benefit contributions: 9% | 18% | 33% | 40%

Sales and marketing: 5% | 26% | 37% | 31%

Accounting for taxes to various levels of government: 9% | 24% | 32% | 35%

■ Not proficient (0-3) ■ Neutral (4-6) ■ Proficient (7-8) ■ Extremely proficient (9-10)

Base: All respondents (n=596-631). Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between December 2023 and October 2017.
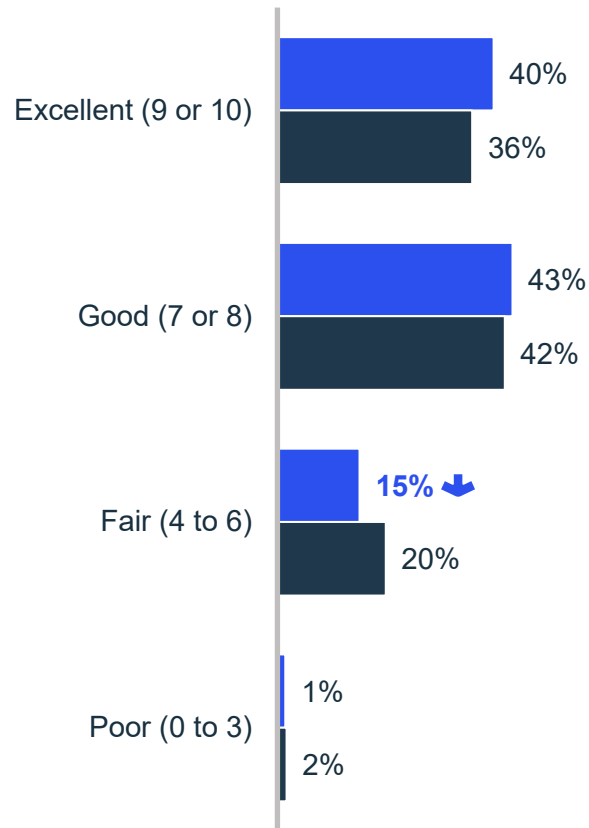
3

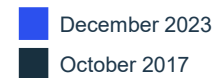# Quiz results

Financial literacy quiz results

Number of correct answers out of 10 questions

Category	December 2023	October 2017
Excellent (9 or 10)	40%	36%
Good (7 or 8)	43%	42%
Fair (4 to 6)	15% ⬇	20%
Poor (0 to 3)	1%	2%

At least 7 correct answers

83%⬆

vs. **78%** in Oct. 2017

Legend:
- December 2023
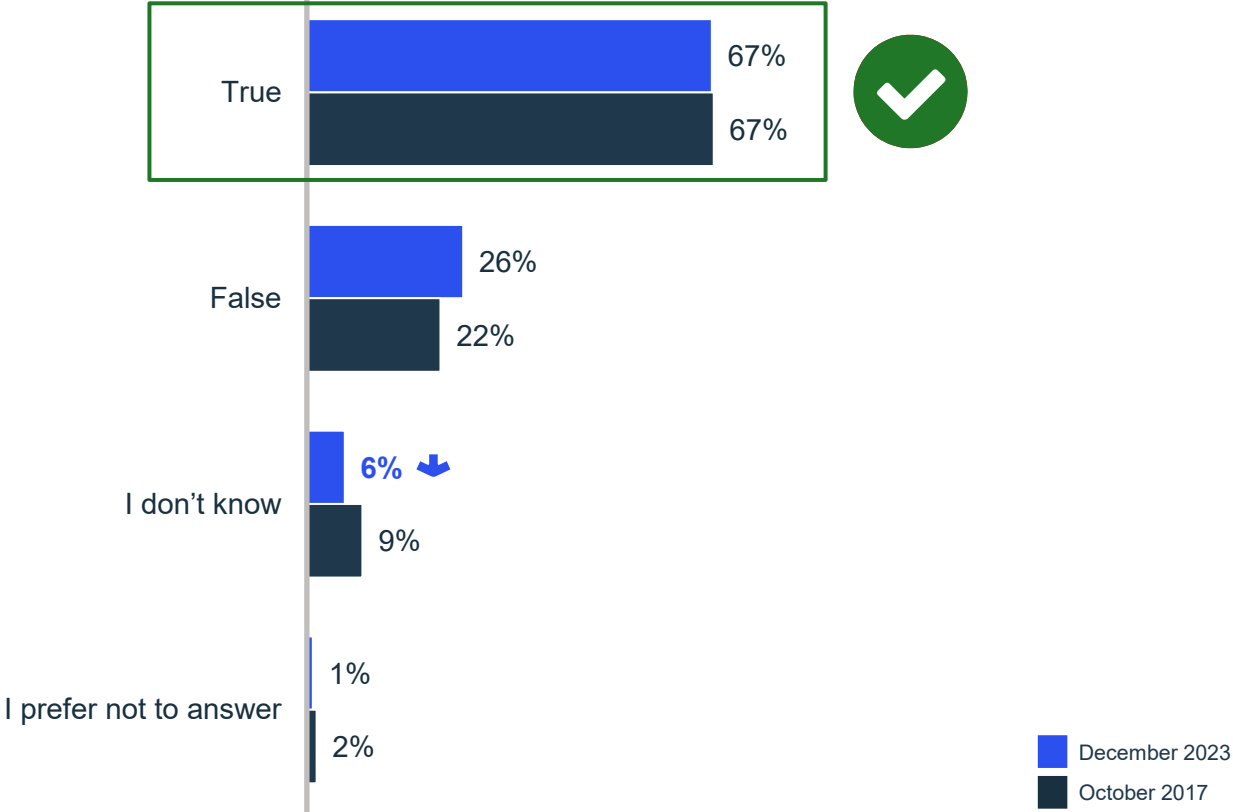- October 2017

Question 1: Unit pricing

S4Q1. By using **unit pricing** at a store, you can easily **compare the cost** of any brand and any package size.

True — 67% (December 2023), 67% (October 2017) ✓

False — 26% (December 2023), 22% (October 2017)

I don't know — 6% ⬇ (December 2023), 9% (October 2017)

I prefer not to answer — 1% (December 2023), 2% (October 2017)
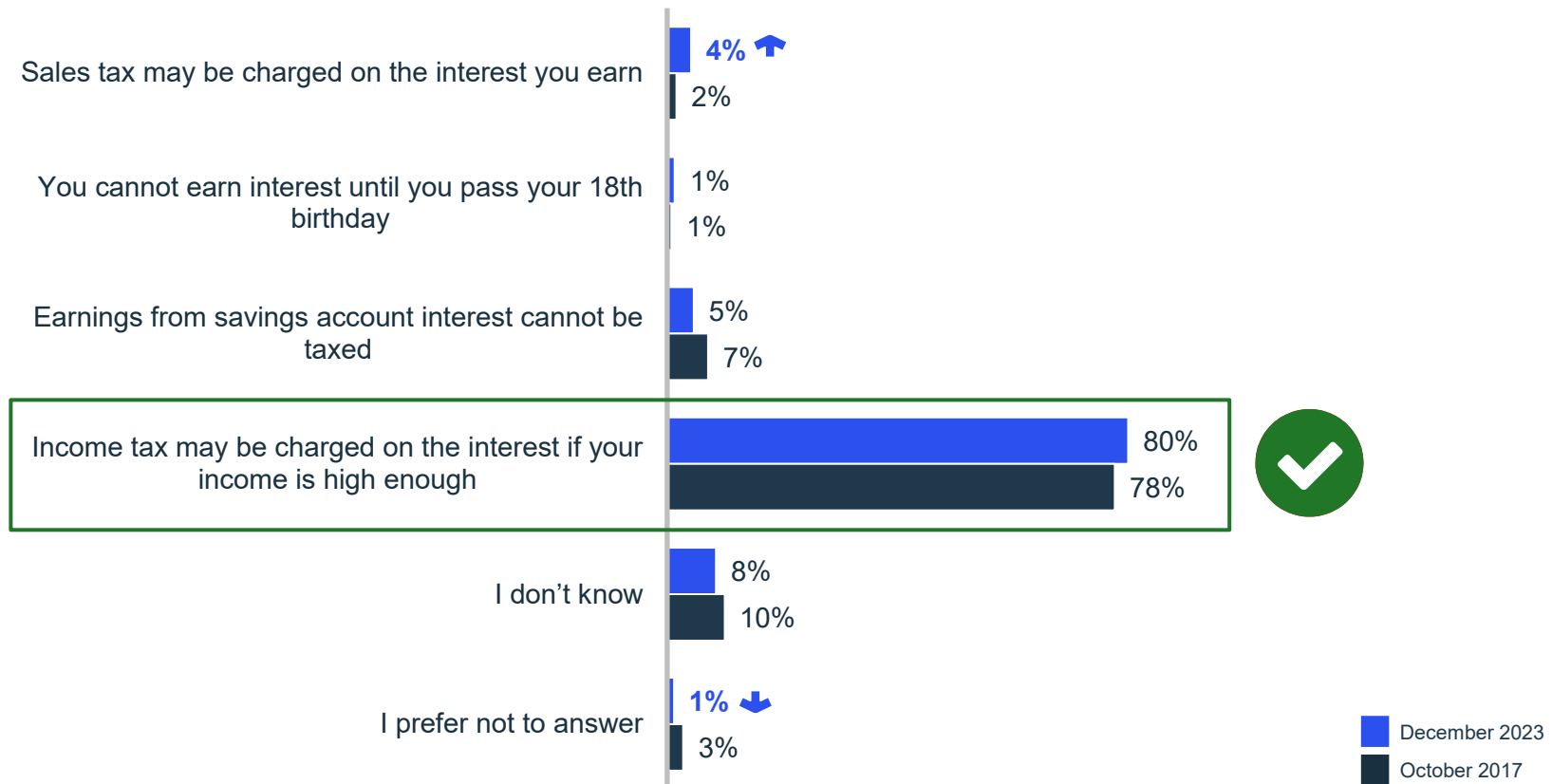
■ December 2023
■ October 2017

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017.
The right answer is identified in green.

Question 2: Account earnings

S4Q2. If you had a savings account at a bank, which of the following statements would be **correct** concerning the interest you would earn on this account?

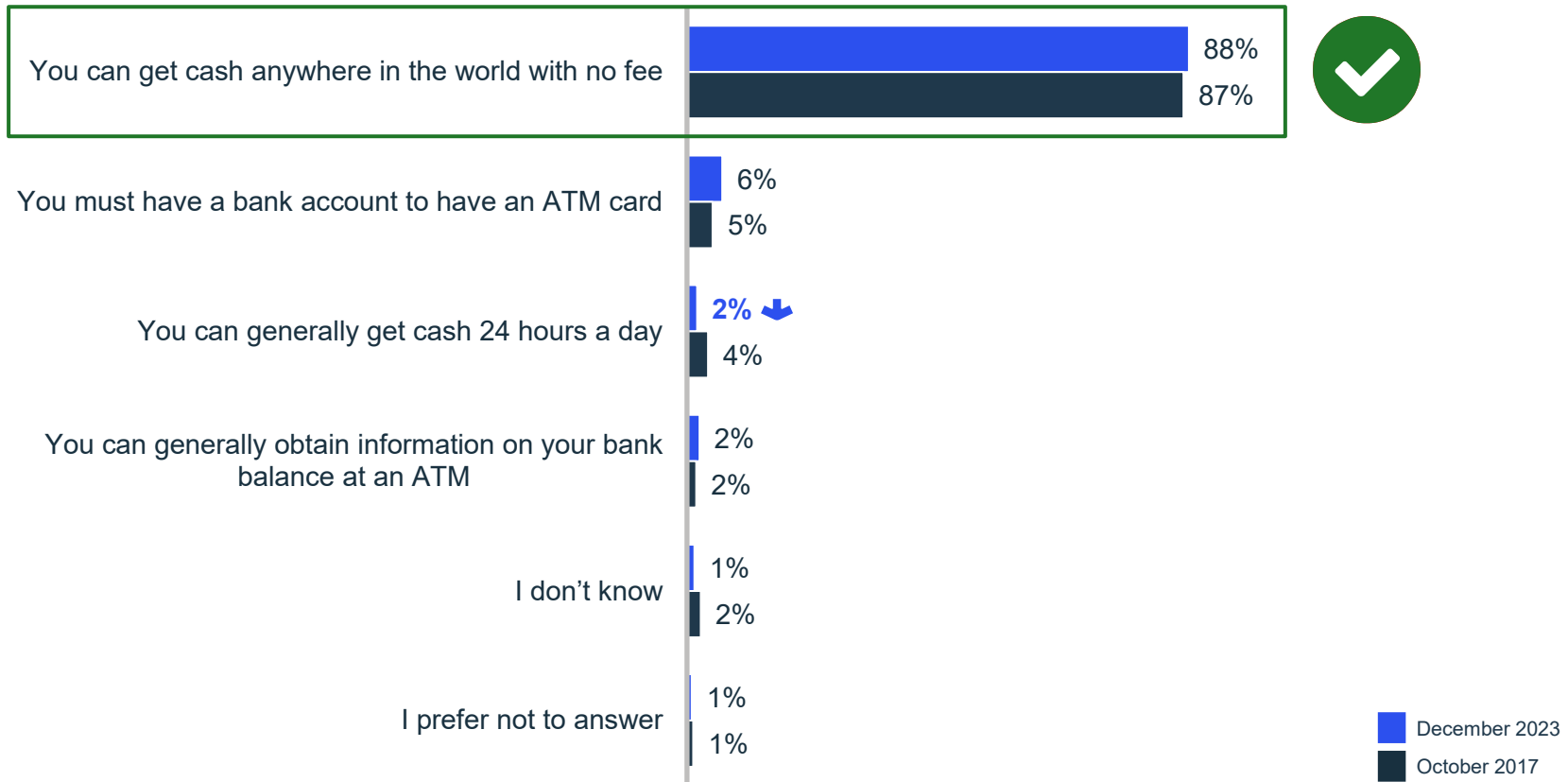| Statement	December 2023	October 2017
Sales tax may be charged on the interest you earn	4% ⬆	2%
You cannot earn interest until you pass your 18th birthday	1%	1%
Earnings from savings account interest cannot be taxed	5%	7%
Income tax may be charged on the interest if your income is high enough ✅	**80%**	**78%**
I don't know	8%	10%
I prefer not to answer	1% ⬇	3%

Legend:
- December 2023
- October 2017

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017. The right answer is identified in green.

BDC – Financial literacy, December 2023   25

Question 3: ATM cards

S4Q3. Which of the following statements is **incorrect** about most automated teller machine (ATM) cards?

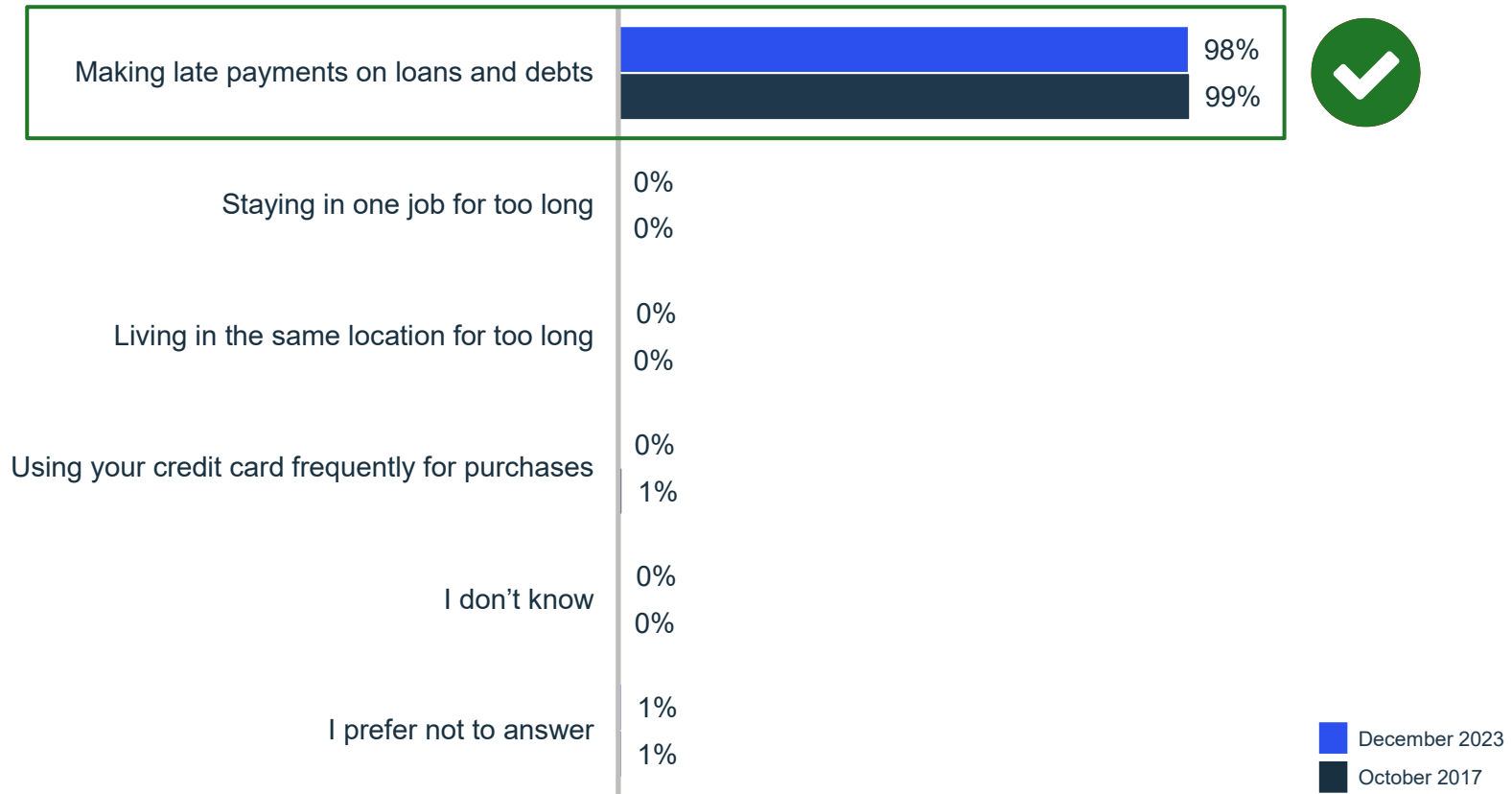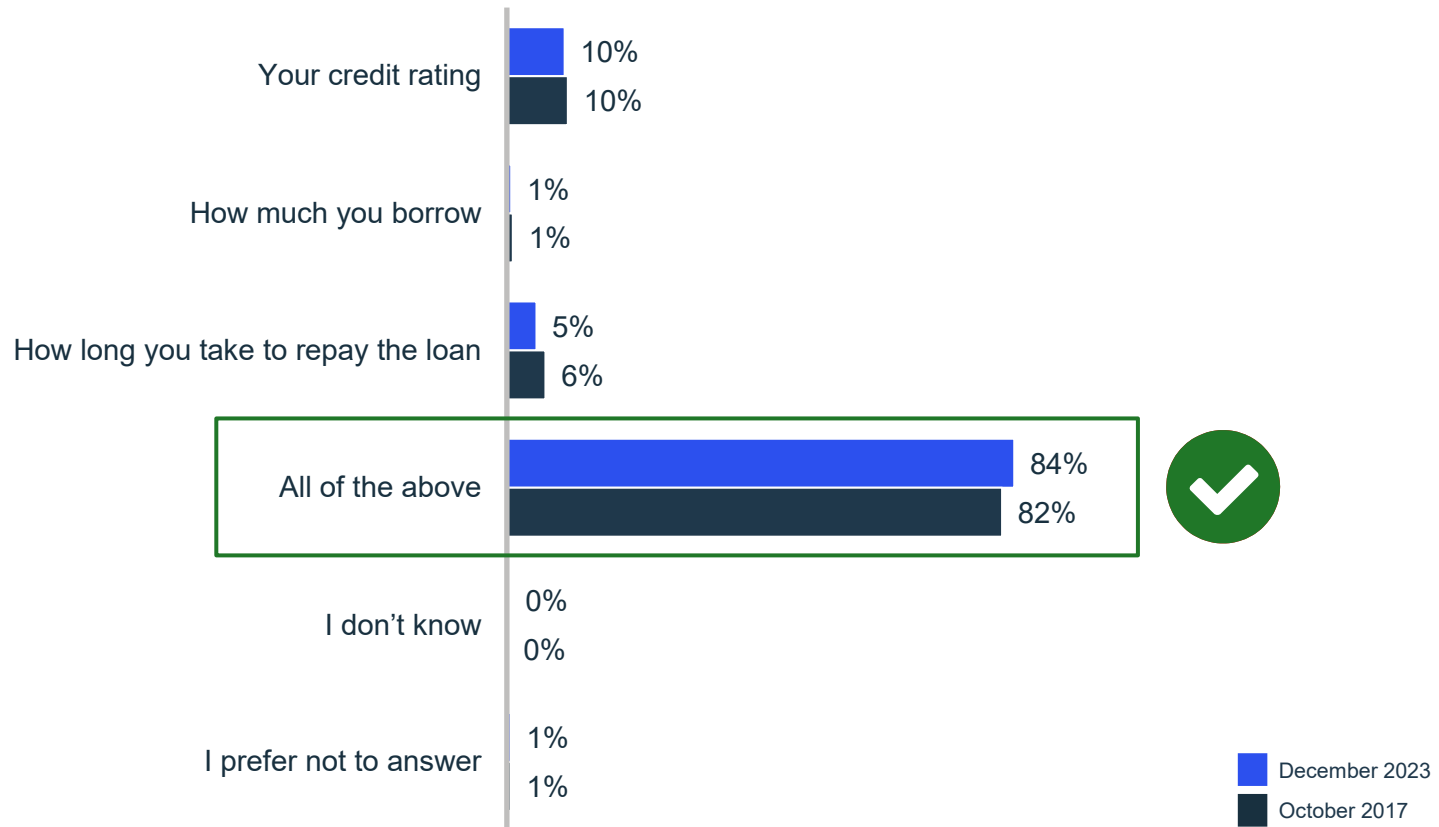|	December 2023	October 2017
You can get cash anywhere in the world with no fee ✅	88%	87%
You must have a bank account to have an ATM card	6%	5%
You can generally get cash 24 hours a day	2% ⬇	4%
You can generally obtain information on your bank balance at an ATM	2%	2%
I don't know	1%	2%
I prefer not to answer	1%	1%

Legend: December 2023, October 2017

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017.
The right answer is identified in green.

Question 4: Credit rating

S4Q4. Which of the following situations can **hurt your credit rating**?

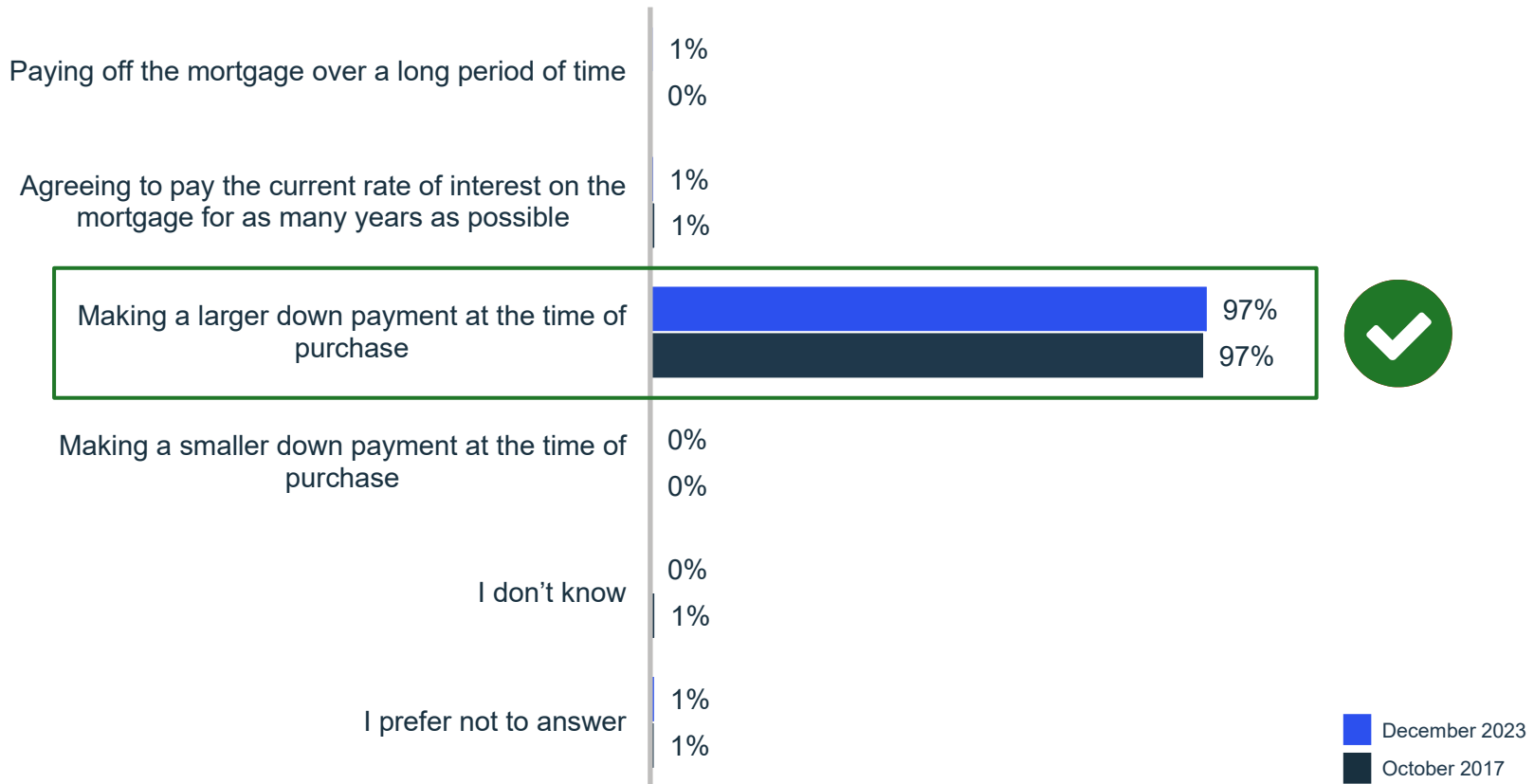|	December 2023	October 2017
Making late payments on loans and debts	98%	99%
Staying in one job for too long	0%	0%
Living in the same location for too long	0%	0%
Using your credit card frequently for purchases	0%	1%
I don't know	0%	0%
I prefer not to answer	1%	1%

■ December 2023
■ October 2017

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017. The right answer is identified in green.

Question 5: Loan interest

S4Q5. Which of the following can **affect the amount of interest** you pay on a loan?

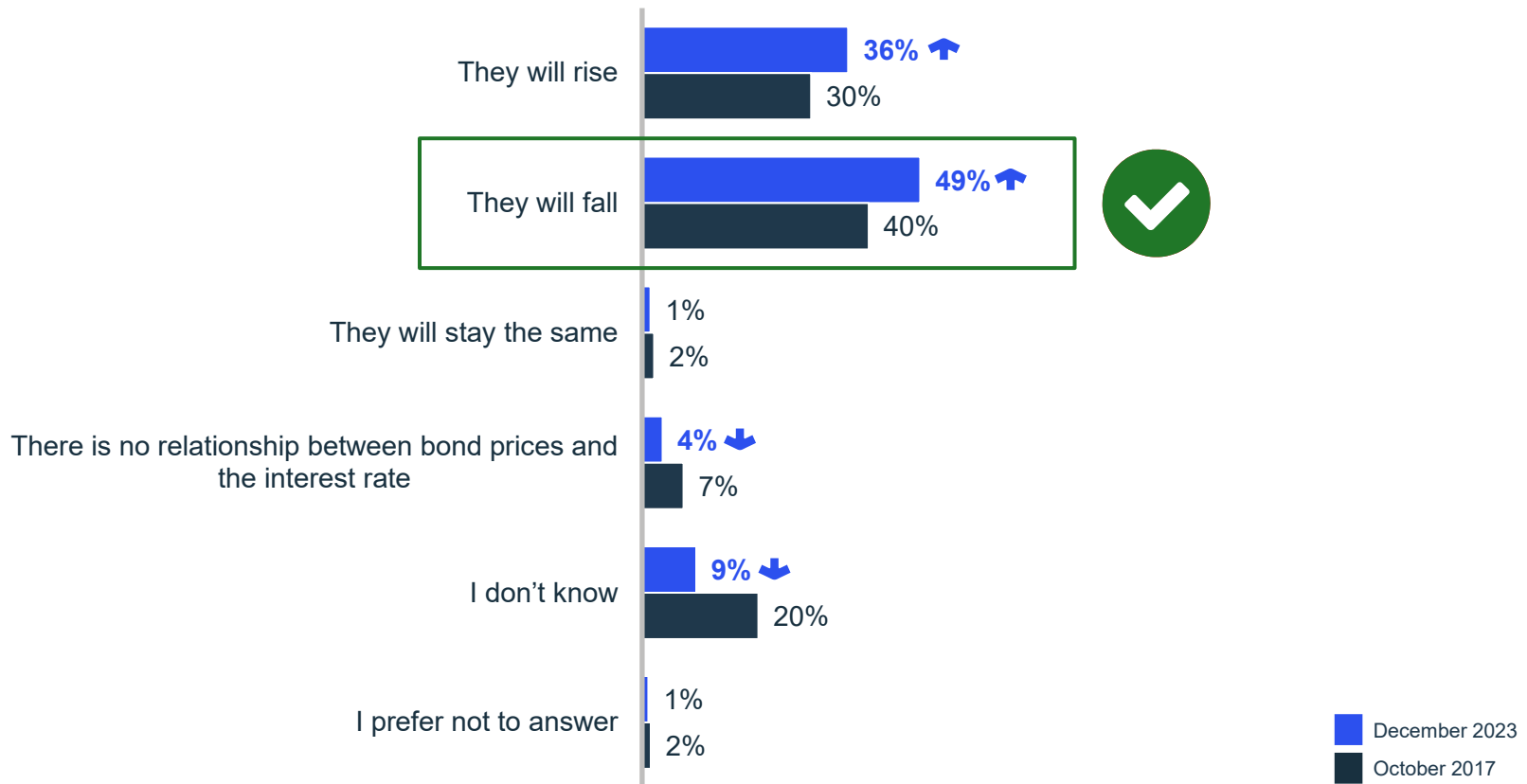| Category	December 2023	October 2017
Your credit rating	10%	10%
How much you borrow	1%	1%
How long you take to repay the loan	5%	6%
All of the above	**84%**	**82%**
I don't know	0%	0%
I prefer not to answer	1%	1%

Legend: December 2023, October 2017

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017. The right answer is identified in green.

BDC – Financial literacy, December 2023   28

Question 6: Lower house cost

S4Q6. Which of the following will help **lower the cost of a house**?

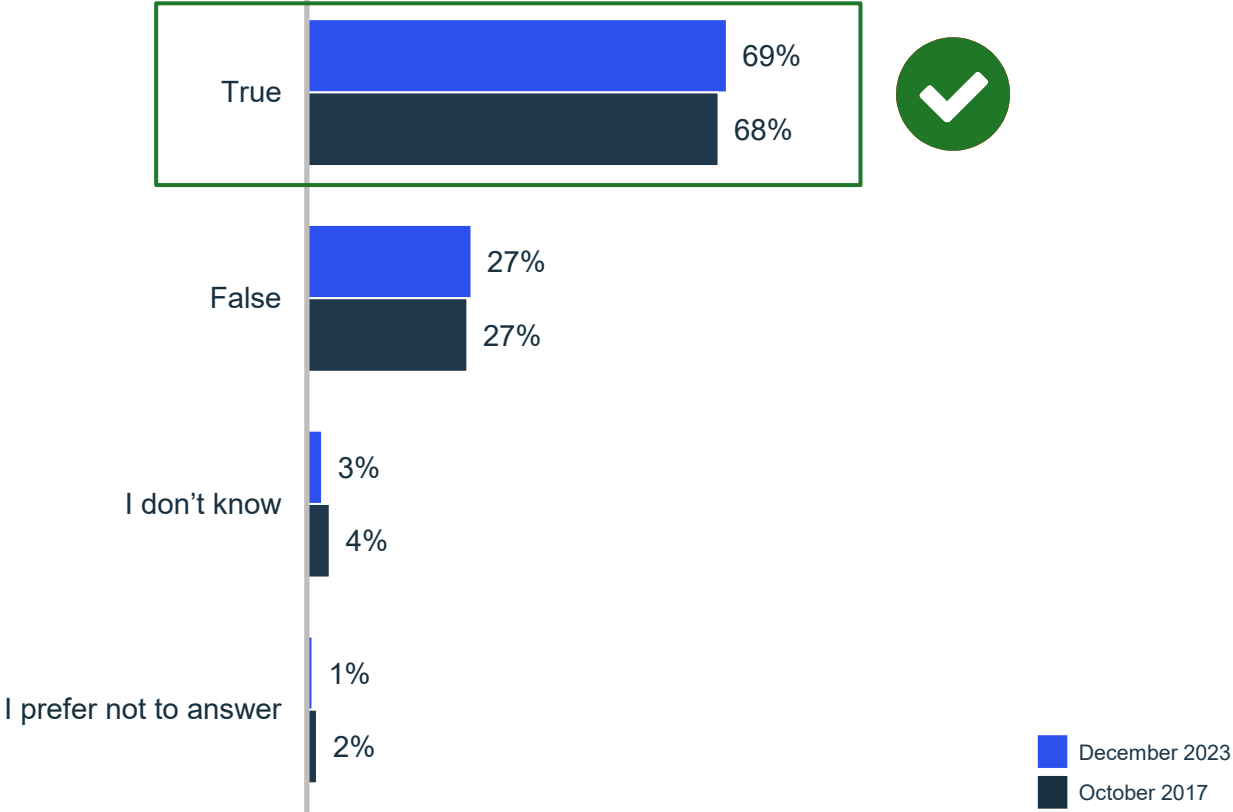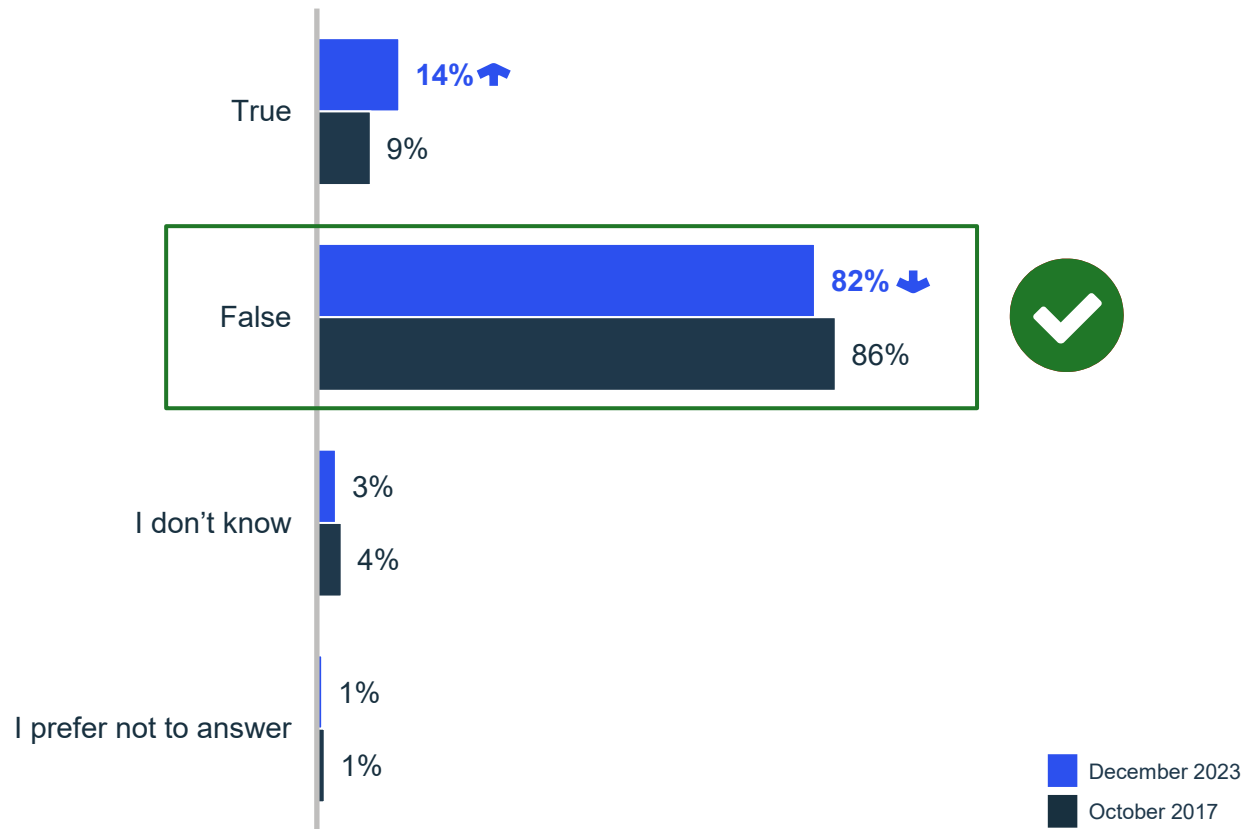|	December 2023	October 2017
Paying off the mortgage over a long period of time	1%	0%
Agreeing to pay the current rate of interest on the mortgage for as many years as possible	1%	1%
Making a larger down payment at the time of purchase ✅	**97%**	**97%**
Making a smaller down payment at the time of purchase	0%	0%
I don't know	0%	1%
I prefer not to answer	1%	1%

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017. The right answer is identified in green.

Question 7: Bond prices

S4Q7. If interest rates rise, what will typically happen to **bond prices**?

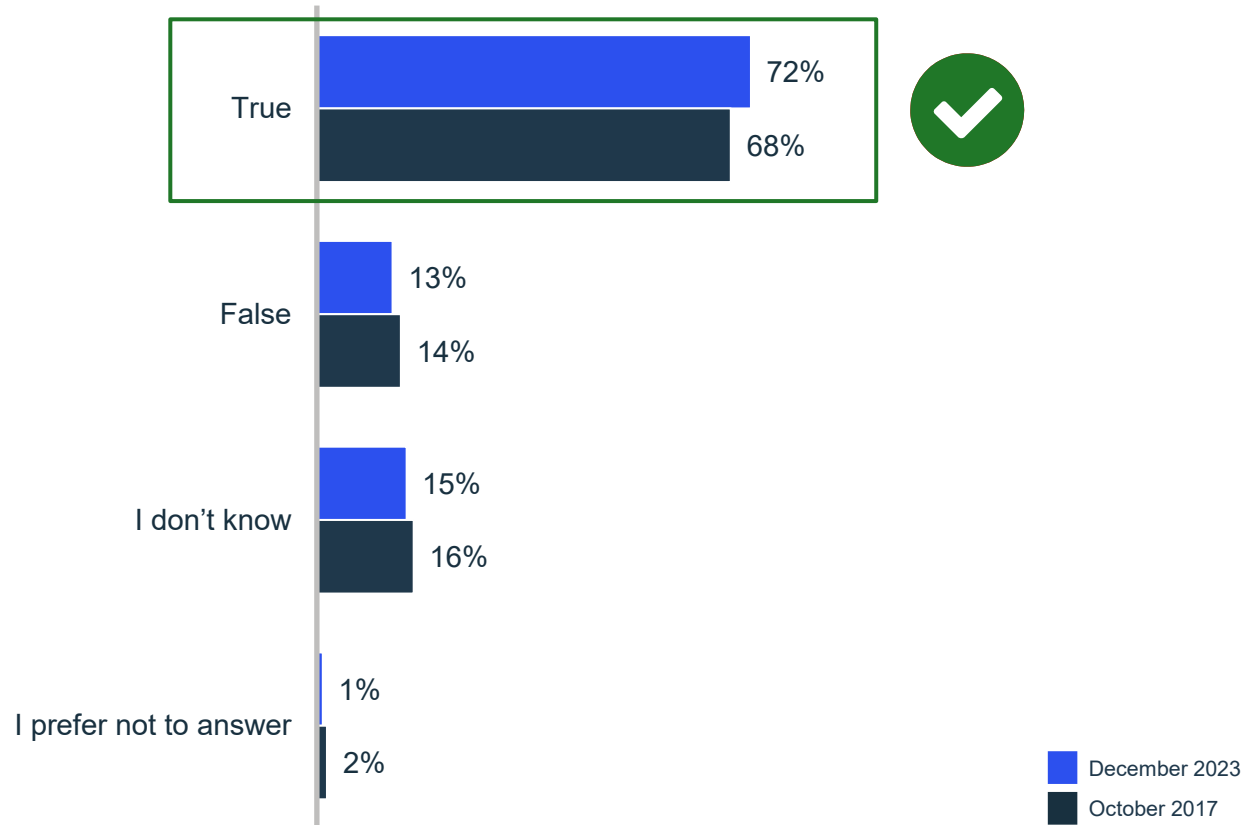| Answer	December 2023	October 2017
They will rise	36% ⬆	30%
They will fall ✓	49% ⬆	40%
They will stay the same	1%	2%
There is no relationship between bond prices and the interest rate	4% ⬇	7%
I don't know	9% ⬇	20%
I prefer not to answer	1%	2%

Legend:
- December 2023
- October 2017

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017. The right answer is identified in green.

BDC – Financial literacy, December 2023   30

Question 8: Competition margins

S4Q8. **Higher levels of competition** for your firm's products or services imply **smaller gross margins**?

True — 69% (December 2023), 68% (October 2017)
False — 27% (December 2023), 27% (October 2017)
I don't know — 3% (December 2023), 4% (October 2017)
I prefer not to answer — 1% (December 2023), 2% (October 2017)

■ December 2023
■ October 2017

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017.
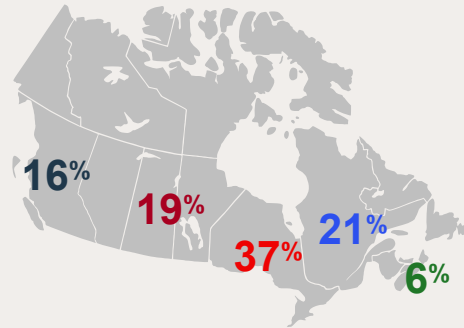The right answer is identified in green.

Question 9: Selling prices
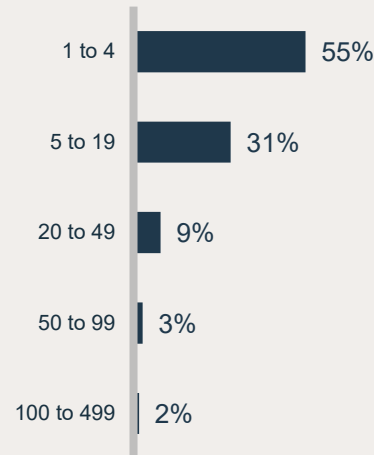
S4Q9. The most important factor in **setting the selling prices** of a firm's products or services is the firm's **cash flow situation**?

True
14% ⬆
9%

False
82% ⬇
86% ✓

I don't know
3%
4%

I prefer not to answer
1%
1%

■ December 2023
■ October 2017

Question 10: Credit scoring

S4Q10. **Credit scoring** is a form of computer-based adjudication of loan applications used by financial institutions?

True — 72% (December 2023), 68% (October 2017) ✓

False — 13% (December 2023), 14% (October 2017)

I don't know — 15% (December 2023), 16% (October 2017)

I prefer not to answer — 1% (December 2023), 2% (October 2017)

Legend: December 2023, October 2017

Base: All respondents (n=634). Arrows indicate statistically significant differences between December 2023 and October 2017. The right answer is identified in green.
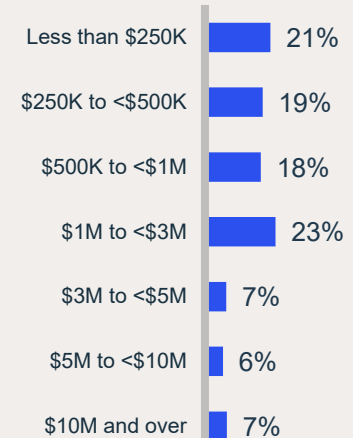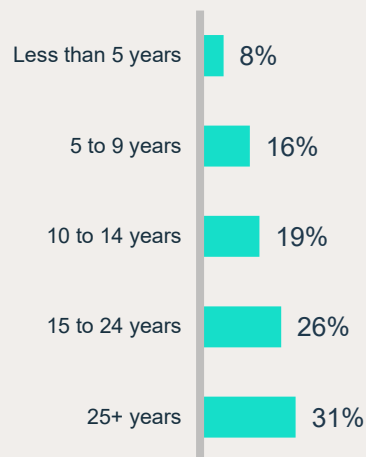
4 Respondent profile

Respondent profile

Region

16%
19%
37%
21%
6%

Number of employees

1 to 4	55%
5 to 19	31%
20 to 49	9%
50 to 99	3%
100 to 499	2%

Annual sales

Less than $250K	21%
$250K to <$500K	19%
$500K to <$1M	18%
$1M to <$3M	23%
$3M to <$5M	7%
$5M to <$10M	6%
$10M and over	7%

Years in business

Less than 5 years	8%
5 to 9 years	16%
10 to 14 years	19%
15 to 24 years	26%
25+ years	31%

Main sector of activity

Services	29%
Retail	13%
Manufacturing	13%
Wholesale trade	8%
Technology and information	8%
Construction	7%

Specific activities*

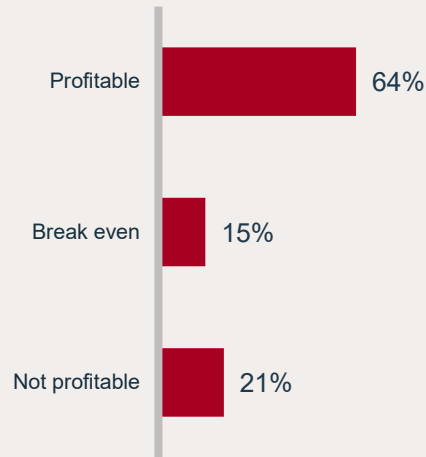|	
Buys goods or services outside Canada	43%
Sells goods or services outside Canada	29%
Invests in research and development (R&D)	23%
Owner of high value equipment	24%
Owner of one or more commercial buildings	25%
Acquired another business in the past	19%
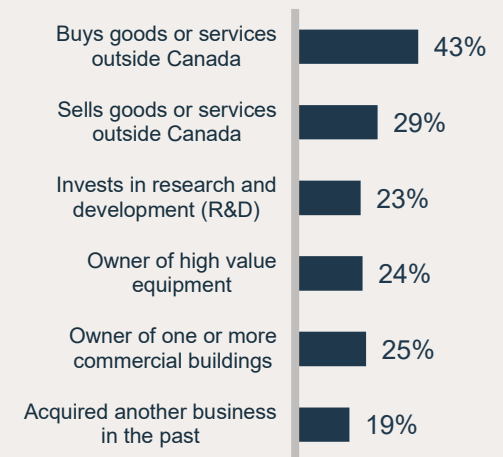
Base: All respondents (n=633-634). Those who did not know or preferred not to answer were excluded from the calculation base. For the sectors, only those with 7%+ respondents are presented. *Multiple mentions were allowed; therefore, total exceeds 100%. None of the above are not shown.
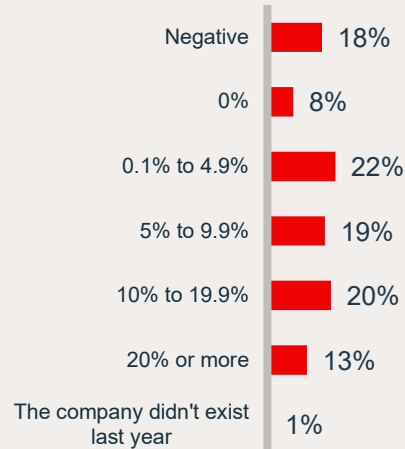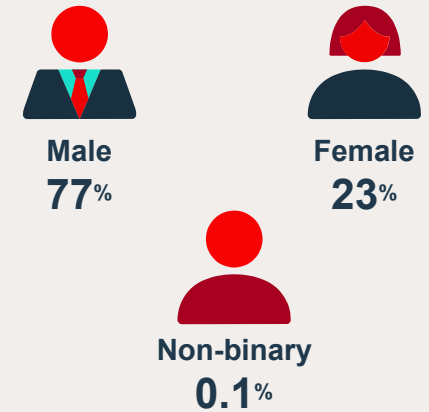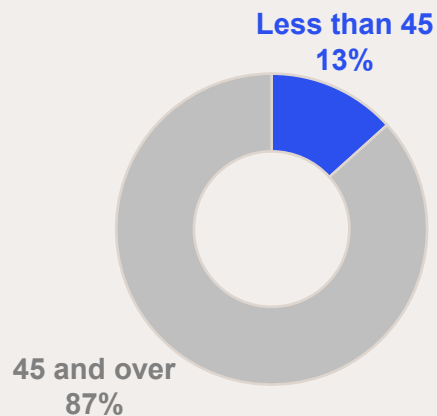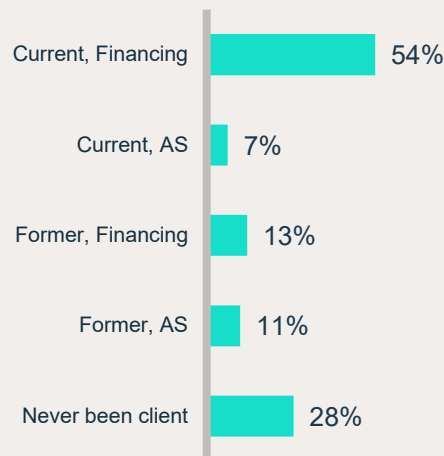
Respondent profile

Profitability

- Profitable: 64%
- Break even: 15%
- Not profitable: 21%

Annual growth

- Negative: 18%
- 0%: 8%
- 0.1% to 4.9%: 22%
- 5% to 9.9%: 19%
- 10% to 19.9%: 20%
- 20% or more: 13%
- The company didn't exist last year: 1%

Gender

- Male 77%
- Female 23%
- Non-binary 0.1%

Owners' age

- Less than 45: 13%
- 45 and over: 87%

Client status*

- Current, Financing: 54%
- Current, AS: 7%
- Former, Financing: 13%
- Former, AS: 11%
- Never been client: 28%

Diversity*

- Immigrant person: 26%
- Child of an immigrant person: 15%
- Member of a visible minority: 13%
- Person with a disability: 10%
- Person with military service: 6%
- LGBTQ2+ person: 4%
- Indigenous person: 2%
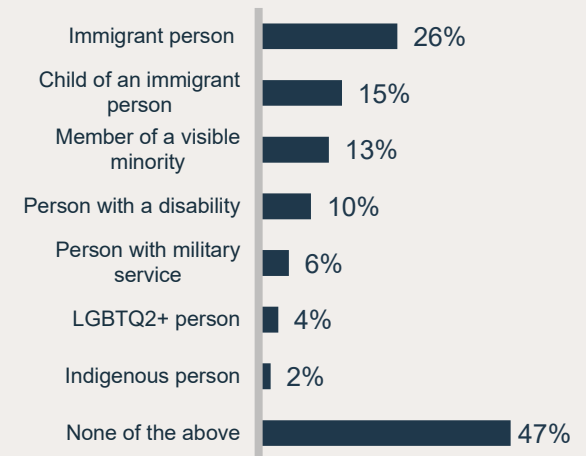- None of the above: 47%

Base: All respondents (n=602-634). Those who did not know or preferred not to answer were excluded from the calculation base. *Multiple mentions were allowed; therefore, total exceeds 100%.

5

Methodology

Methodology

Survey methodology

Online survey.

Respondent profile

Business owners and business decision-makers members of BDC ViewPoints online panel.

Survey dates

2nd wave: December 5th to 17th, 2023

1st wave: October 17th to 29th, 2017

Margin of error

For a probabilistic sample of 634 respondents, the maximum margin of error is ± 3.9 percentage points, 19 times out of 20. However, as this survey is based on a non-probabilistic sample, this information is provided for reference only.

Data processing and analysis

Were performed by the BDC Research and Market Intelligence team.

Weighting factors

Results were weighted by region and number of employees to be representative of the Canadian SME population.

Thank you.

Research and Market intelligence team

bdc∗